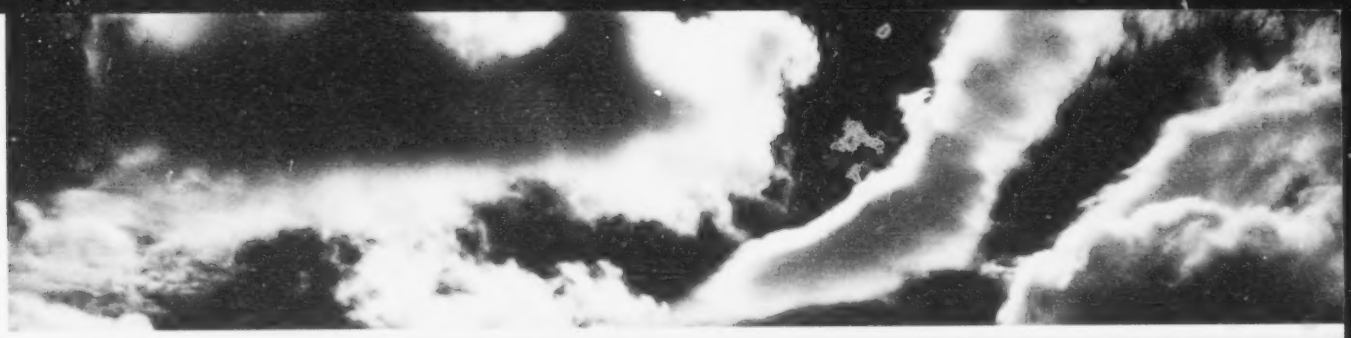


MANITOBA
CROP INSURANCE CORPORATION

2004–2005

Letters of Transmittal

The Honourable John Harvard P.C., O.M.
Lieutenant Governor of Manitoba
Room 235 Legislative Building
Winnipeg, Manitoba
R3C 0V8

May It Please Your Honour:

I have the privilege of presenting for the information of Your Honour, the Annual Report of the Manitoba Crop Insurance Corporation for the fiscal year ending March 31, 2005.

Respectfully submitted,

ROSANN WOWCHUK
DEPUTY PREMIER
MINISTER OF AGRICULTURE, FOOD AND RURAL INITIATIVES
MINISTER RESPONSIBLE FOR COOPERATIVE DEVELOPMENT

Letters of Transmittal

The Honourable Rosann Wowchuk
Deputy Premier
Minister of Agriculture, Food and Rural Initiatives
Minister Responsible for Cooperative Development
Room 165 Legislative Building
Winnipeg, Manitoba
R3C OV8

Dear Madam:

Presented herewith is the Manitoba Crop Insurance Corporation's Annual Report for the fiscal year ending March 31, 2005.

Respectfully submitted,

WALTER W. KOLISNYK
CHAIRMAN
BOARD OF DIRECTORS

Chairman's Message 4

Mission Statement/Vision/Corporate Values 6

2004-05 Progress on Business Goals 7

Performance Indicators 9

Board of Directors/Corporate Officers/Corporate Address/Legal Counsel 9

Administration 10

Organization Chart 10

Current Programs

- Production Insurance Program 11
- Hail Insurance Program 13
- Wildlife Damage Compensation Program 14
- BSE-Related Programs 15
- Manitoba Agriculture Weather Services Consortium 15

Table 3 – Five Year Statistics 16

2004 Cropping Conditions 17

Table 4 – Summary of Insurance Written and Major Causes of Loss by Crop 18

Table 5 – Summary of Participation, Premiums and Indemnities Paid

- Production Insurance Program 19
- Hail Insurance Program 19

Historical Loss Ratios 20

Risk Area Map 21

Agency Map 22

Financial Statements 23

La version français de ce rapport annuel se trouve sur le site Internet http://www.mcic-online.com/.

The French version of this annual report can be found on the Internet http://www.mcic-online.com/.

Cover photo by: Dave Reede

Chairman's Message

THE 2004 CROP YEAR WILL BE REMEMBERED AS A CHALLENGE FOR MANY MANITOBA PRODUCERS AS EXCESS MOISTURE AND LACK OF HEAT RESULTED IN MAJOR CROP LOSSES IN MANY PARTS OF THE PROVINCE. MCIC PLAYED AN IMPORTANT ROLE IN MINIMIZING THE IMPACT THAT THESE LOSSES HAD ON AGRICULTURAL PRODUCERS AND THE RURAL ECONOMY.

MCIC paid $198 million in Production Insurance claims in 2004-05. This represents the largest payout in the Corporation's history, but ranks fifth highest in terms of severity of loss (indemnities divided by coverage).

Cool wet conditions in the spring of 2004 resulted in 600,000 acres not being seeded. After accounting for deductibles, Excess Moisture Insurance paid out $25 million. As a result of unseeded land, the area of insured crop dropped by 6% to 8.7 million acres. Taken together, MCIC insured roughly the same number of acres in 2004 as had been insured a year earlier.

MCIC continues to provide flexible and innovative risk management products for Manitoba producers. In a response to requests from various producer groups, a number of changes were made to the 2004 Production Insurance Program. These included: expanding pasture insurance to an all-province basis, eliminating the soybean variety restrictions, and introducing a separate insurance program for Canada Western Hard White Wheat. Production Insurance is now provided on 51 different crops.

In 2004, premium rates paid by producers and the two levels of government were reduced by 25.2% due to MCIC's large reserve fund balance. However, in order to move toward the funding requirements of the Agricultural Policy Framework (APF), producers were required to pay a higher share of total premium costs. This was accommodated by having producers pay 17% of the premium cost for the 50% coverage level, which previously had been provided to producers premium-free. To help offset the effect of the premium increase, the producer administration fee of $0.25 per acre was eliminated for 2004.

The amount of unseeded land also affected MCIC's Hail Insurance Program, with participation down slightly in 2004. Hail premiums were $11.1 million on 2.8 million insured acres. Hail indemnities for the year totalled $4.8 million.

MCIC manages the risk of having to make a large payment in any one year through the purchase of private sector reinsurance. For Production Insurance, 90% of losses from 15% to 25% of insured liability are covered by private sector reinsurance. Due to the high claim payments in 2004, MCIC realized a reinsurance recovery in excess of $31 million.

In addition to Production Insurance claims, the late harvest in 2004 also resulted in an increase in payments under the Wildlife Damage Compensation Program. Payments for the year totalled $1.9 million, which was an increase of 30% compared to 2003-04.

MCIC continues to challenge itself to develop ways of being more effective and efficient in terms of assessing and processing claim payments. Due to the high number of claims in 2004 and the compressed amount of time available for appraising those claims due to the late harvest, an emergency interim payment process was introduced. The interim payments were based on information provided by producers on their Harvested Production Report. This process assisted in providing much needed cash flow and was well received by producers. In addition, MCIC implemented special adjusting procedures that streamlined the field appraising of immature crops. The new procedures sped up the

appraisal process, allowing producers to work their fields as quickly as possible.

In addition to a heavy claim load, MCIC had an equally busy year administering four BSE-related programs on behalf of the Governments of Canada and Manitoba. The programs included: the Canada Cull Animal Program, the Canada-Manitoba Fed Cattle Set-Aside Program, the Canada-Manitoba Feeder Calf Set-Aside Program, and the Manitoba Other Ruminant Industry Transitional Program. A total of $33 million was paid out under these programs.

As part of the Growing Opportunities strategy of Manitoba Agriculture, Food and Rural Initiatives, the decision has been made to amalgamate the Manitoba Crop Insurance Corporation and the Manitoba Agricultural Credit Corporation into a new entity named the Manitoba Agricultural Services Corporation, effective September 1, 2005. Integrating insurance and lending functions will result in more efficient administration, while maintaining programming and service delivery to Manitoba's producers. We look forward to the opportunities presented by the forming of a new and more diversified corporation.

In closing, I would like to thank MCIC's staff and board members for their continued hard work and dedication throughout this challenging year. We look forward to continuing to make a difference in the lives of Manitoba's producers by providing effective risk management programs.

WALTER W. KOLISNYK
CHAIRMAN

Mission Statement

OFFERING MANITOBA'S AGRICULTURAL PRODUCERS RISK MANAGEMENT PROGRAMS WHICH PROVIDE STABILITY AND ASSIST IN ADAPTING TO CHANGE.

To ensure we continue to be committed to carrying out our mission, the Manitoba Crop Insurance Corporation (MCIC) will be an organization that:

- researches, develops and delivers new and improved products and services to assist in reducing risk in the agricultural industry;
- is instrumental in the development of policy relating to risk management programs for agricultural producers in Manitoba;
- conducts its business with qualified and motivated people;
- has the pre-eminent expertise in the delivery of land-based programs in Manitoba; and
- strives to improve efficiency.

WE VALUE OUR:

CLIENTS – The needs and interests of our clients come first.

EXCELLENCE IN JOB PERFORMANCE BY DEDICATED STAFF – Excellence in our work is recognized and rewarded.

GOOD WORKING RELATIONSHIPS – We share our ideas and work co-operatively with our clients and business associates in an open and forthright manner.

PUBLIC TRUSTEESHIP ROLE – We manage our operations to the benefit of all parties involved.

CONTRIBUTION TO THE AGRICULTURAL SECTOR – We help Manitoba's agricultural industry achieve sustainable economic growth and financial stability. We encourage our staff to be positive role models and leaders in their communities.

2004-05 Progress on Business Goals

STRATEGIC DIRECTION:

Enhance service to our clients through new and improved programs, which more effectively stabilize risk; and to provide superior delivery of programs and services.

RESULTS:

- Researched and developed enhancements to existing programs, including:
  - offering a separate insurance program for Canada Western Hard White Wheat, with 250,000 acres insured;
  - expanding the pasture insurance program to the entire province, with over 1,400 insured producers and $5.9 million of coverage;
  - providing more individualized coverage for dry edible bean types, affecting over 1,000 producers;
  - eliminating the producer administration fee, which helped offset an increase in the producers' share of premium costs; and
  - removing the restrictions on the varieties of soybeans that can be insured.
- In 2004-05, MCIC paid 800 ($4 million) reseeding claims, 3,000 ($25 million) Excess Moisture Insurance claims, 2,500 ($62 million) pre-harvest claims and 7,300 ($107 million) post harvest claims. The high claim load was adjusted and paid within acceptable performance standards.
- Administered four separate BSE-related ad hoc programs that provided over $33.6 million in compensation to Manitoba producers.
- Developed a number of new products for the 2005 crop year, including:
  - adding a vegetable acreage loss program that will cover seven types of vegetables;
  - expanding the insurable area for silage corn;
  - adding a quality guarantee to soybeans, greenfeed and silage corn;
  - expanding the pedigreed seed program to cover all types of wheat;
  - adding organic insurance coverage for wheat, oats and flax;
  - introducing a basket of crops (whole farm) option that will provide coverage of up to 90%; and
  - adding sorghum and sudan grass to greenfeed insurance.

STRATEGIC DIRECTION:

Ensure that the governing legislation and policies provide producers with effective risk management alternatives.

RESULTS:

- MCIC's General Manager represented Manitoba on the federal-provincial Business Risk Management Policy Working Group. MCIC's Director of Research represented Manitoba on the federal-provincial Production Insurance Working Group. Through the Agricultural Policy Framework (APF) Agreement, and the related guidelines developed by the federal-provincial working groups, the scope of programming provided through Production Insurance has been expanded.
- MCIC staff assisted in developing amendments to the Federal Regulation, which were approved in April 2005. The amendments provide greater program flexibility.
- MCIC staff were involved in the development of the linkages between the Canadian Agricultural Income Stabilization (CAIS) program and Production Insurance. The purpose of the linkages is to keep CAIS and Production Insurance in balance, thereby encouraging producers to participate in both programs.

STRATEGIC DIRECTION:

Enhance the awareness of industry and government as to the importance of the Corporation's risk management programs in terms of reducing overall risk in the agricultural sector.

RESULTS:

- Press releases were prepared informing the public of the levels of Excess Moisture Insurance and Production Insurance payments for 2004.
- Enhanced Production Insurance information is being provided via the Internet and the crop production information provided through the Management Plus Program and Yield Manitoba was updated.
- MCIC's agency staff continue to meet with agricultural businesses and lending institutions to explain the features of Production Insurance and to promote the benefits of producers participating in both CAIS and Production Insurance.
- MCIC staff presented information on risk management programs to post-secondary students.

STRATEGIC DIRECTION:

Strengthen human resources with better training, more effective communication and ensure that we have the right people for existing and new initiatives.

RESULTS:

- Developed a corporate Workplace Safety and Health Program.
- Participated in the Growing Opportunities Initiative of Manitoba Agriculture, Food and Rural Initiatives.

STRATEGIC DIRECTION:

Seek out revenue and funding opportunities that will support product development and service delivery.

RESULTS:

- Drafted the Manitoba Agricultural Services Corporation Act, which amalgamates the Manitoba Crop Insurance Corporation and the Manitoba Agricultural Credit Corporation into one corporate entity. This initiative will provide administrative efficiencies and broaden the range of products and services.
- Private reinsurance was purchased for Production Insurance, with a related recovery of $31 million for 2004-05. Even with record indemnity payments, MCIC will still be able to offer premium rate reductions of 17.5% for 2005.
- Private reinsurance was purchased for the Hail Insurance Program.
- Continued to earn revenue through the provision of fee-based audit and measurement services to third parties. Fees are also charged for certain services related to the administration of Production Insurance, thereby reducing administration costs.

STRATEGIC DIRECTION:

Continue to improve efficiencies through streamlined processes and better use of technology.

RESULTS:

- Developed and implemented a process to calculate the net benefit of Production Insurance for producers with CAIS negative margin claims.
- Due to the large number of Production Insurance claims late in the season, an interim payment process was developed to assist producers with cash flow until the on-farm appraisal could be completed. Over 1,500 interim payments totalling $25 million were issued.
- Computerized hail loss adjusting was expanded by 12 crops to a total of 26 crops, with 22 additional adjusters being trained on the system.
- A study conducted by IBM Consulting on behalf of Agriculture and Agri-Food Canada indicated that MCIC was the most efficient provider of Production Insurance in Canada. It was further shown that public sector administration is considerably less expensive than comparable private sector administration.

106-00361/

Performance Indicators

The insured area of annual crops and forages decreased to about 8.7 million acres in 2004 (from 9.25 million in 2003). However, when the 600,000 acres that could not be seeded due to excess moisture are added in, the total number of insured acres increases slightly. The expansion of pasture insurance to an all-province basis was well accepted, with over 1,400 producers participating. The insured area of tame hay was up by more than 40,000 acres (7%).

The average coverage level selected by producers increased by 0.3% to 73.9%, exceeding the target for the year.

Total liability was $1.11 billion, down 18% from the record level of $1.35 billion set in 2003. The reduction in liability was due to lower insured dollar values and the 600,000 acres that were too wet to seed.

Administrative expenses were 7.5% over budget in 2004-05. The variance was due to a non-budgeted salary increase and the unanticipated increase in claim activity. A national study that was released in December 2004 revealed that MCIC had the lowest administrative expense ratio of any Canadian crop insurance agency at 8.3% of gross premium income and 0.82% of insured liability.

Total liability remained relatively stable from the previous year at $310 million, exceeding the budgeted amount by $50 million. Low hail losses in 2004 resulted in a profit of $4.5 million.

Walter W. Kolisnyk, *Chairperson*
Minitonas

Hazel H. Arndt, *Vice-Chairperson*
Roblin

Harry S. Sotas
Solsgirth

Frank R. Fiarchuk
Arborg

Neil A. Hamilton, B.S.A., M.Sc., Ph.D.
General Manager

Jim V. Lewis, B.S.A., C.M.A.
Director of Finance and Administration

Herb Sulkers, B.Sc.
Director of Field Operations

Paul M. Bonnet, B. Comm.
Director of Research and Program Development

Kim M. Poschenrieder, B.S.A.
Corporate Secretary

400-50 24th St. N.W.
Portage la Prairie, Manitoba
R1N 3V9
Phone: (204) 239-3246
Fax: (204) 239-3401
www.mcic-online.com

Thompson Dorfman Sweatman

BACK ROW: FRANK FIARCHUK, HARRY SOTAS
FRONT ROW: HAZEL ARNDT, WALTER KOLISNYK

BACK ROW: PAUL BONNET, KIM POSCHENRIEDER
FRONT ROW: HERB SULKERS, NEIL HAMILTON, JIM LEWIS

Administration

The Manitoba Crop Insurance Corporation (MCIC) is a Crown corporation of the Province of Manitoba. MCIC's policies are established by its Board of Directors, which reports directly to Manitoba's Minister of Agriculture, Food and Rural Initiatives. The Board and staff consult on a regular basis with producers and producer groups with respect to production insurance issues and needs.

MCIC has a permanent complement of 98 staff years, supplemented as required by adjusting and part-time staff. Over 150 adjusters are employed on an as-needed basis.

An independent three-member Appeal Tribunal hears disputes between insured producers and MCIC respecting MCIC's assessment of loss or damage. The Appeal Tribunal's decisions are final and binding on both parties.

MCIC's programs and services are delivered by 19 Agency Offices strategically located throughout the province. The locations are shown on the Agencies map (Page 22). MCIC's Head Office is located in Portage la Prairie. The Agency Offices are connected to the main computer at Head Office, thereby providing efficient program administration. A local area network provides for electronic communications amongst all staff and offices.

MCIC fully supports and participates in the Manitoba Government's initiatives under The Sustainable Development Act. In its daily operations, MCIC encourages and facilitates activities that reduce, reuse, recycle and recover resources, where possible. Activities range from using recycled paper in printers and photocopiers to promoting the use of teleconferencing for meetings.

Organization Chart

Manitoba Crop Insurance Corporation – March 31, 2005

Current Programs

The Production Insurance Program provides protection against production losses caused by natural perils. Insurance is provided for 51 separate crop types. Coverage is also provided for forages during the establishment stage and for the inability to seed land due to wet conditions.

The natural perils covered by insurance include drought, excess moisture (rainfall or flood), frost, hail, fire, excess heat, wind, wildlife and waterfowl, disease and pests. Causes of loss that are within an insured producer's control are not covered.

Producers can select coverage levels of 50%, 70% or 80%. Individual crops can be insured at different coverage levels or can be excluded from coverage completely. Coverage is based on the producer's expected (probable) yield multiplied by the selected coverage level multiplied by the number of insured acres. If harvested production (adjusted for quality loss) falls below coverage, an indemnity equal to the production shortfall multiplied by the dollar value is paid to the insured producer.

Excess Moisture Insurance (EMI) is a basic feature of the Production Insurance Program. All producers with an active Production Insurance contract have EMI coverage on land intended for spring seeding. Land that cannot be seeded by June 20th due to wet conditions is eligible for compensation of $50 per acre, subject to the applicable deductible. Producers have the option of purchasing a zero deductible option. Forage Restoration provides a comparable benefit for tame hay and forage seed crops that are destroyed due to excess spring moisture.

For insurance purposes, Manitoba is divided into fifteen areas of similar crop production risk based on factors such as climate, topography and yield history. The risk areas, which are shown on the Risk Areas map (Page 21), form the geographic basis for determining coverage and premium rates. The probable yields used to determine coverage are either individualized based on a producer's productivity relative to area average, or are based on an average of a producer's yield history.

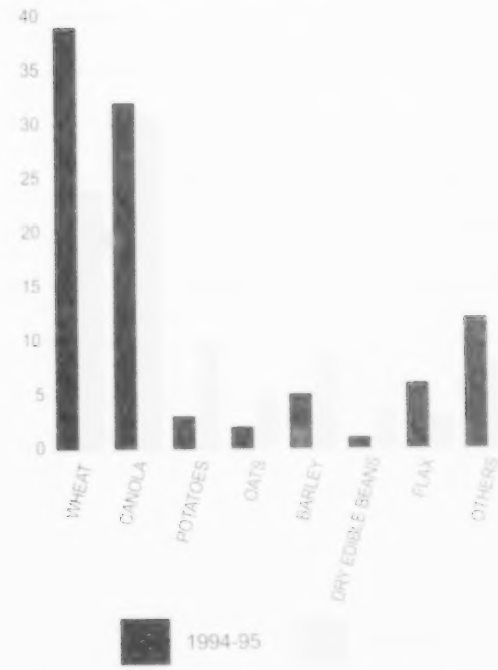
Premium costs are shared between insured producers and the Governments of Canada and Manitoba. For basic EMI there is no producer premium, with the related costs being paid 60% by Canada and 40% by Manitoba. For 2004-05, the producer premium for the 50% coverage level was 17%, with Canada paying 49.8% and Manitoba paying 33.2%. In 2003-04, all of the premium for the 50% coverage level was paid 60% by Canada and 40% by Manitoba. For coverage above the 50% level, producers pay half of the premium cost, with the remainder being paid 60% by Canada and 40% by Manitoba. A producer's claim experience results in premium discounts or surcharges.

Commencing in 2004-05, administrative expenses are paid entirely by government, 60% by Canada and 40% by Manitoba. In 2003-04, producers paid an administration fee of $0.25 per acre, which funded about 25% of total administrative expenses. The remainder was shared 60% by Canada and 40% by Manitoba. The producer administration fee was eliminated in order to partially offset the increase in premium paid by producers.

Claims are adjusted on a crop specific basis. Insured producers receive indemnity payments based on the difference between their coverage and the total amount of harvested production, multiplied by the insured dollar value. If the grade of the harvested crop falls below the quality guarantee, harvested production is reduced by the relative market value of the crop.

Table 4 (Page 18) provides a summary of insurance written in 2004-05, including the major causes of loss by crop. Seven of Manitoba's major crops – wheat, canola, potatoes, barley, oats, dry edible beans and flax – account for over 80% of total coverage. Compared to ten years earlier, the percentage of total coverage has: increased significantly for dry edible beans (239%), oats (173%), potatoes (185%), and barley (70%); has stayed roughly the same for canola (-3%); and has decreased considerably for flax (-58%) and wheat (-37%). The change in crop mix reflects Manitoba producers' commitment to crop diversification and the transition to higher value crops. The relative shift in crops is further illustrated in Figure 1.

PRODUCTION INSURANCE PROGRAM



In 2004-05 frost accounted for 60% of post harvest losses, with excess moisture ranking second at 16%. Figure 2 illustrates the major causes of loss for post harvest claims for 2004-05. A historical comparison is shown in Figure 3.

FIGURE 2

2004-05 CAUSES OF LOSS

PRODUCTION INSURANCE PROGRAM

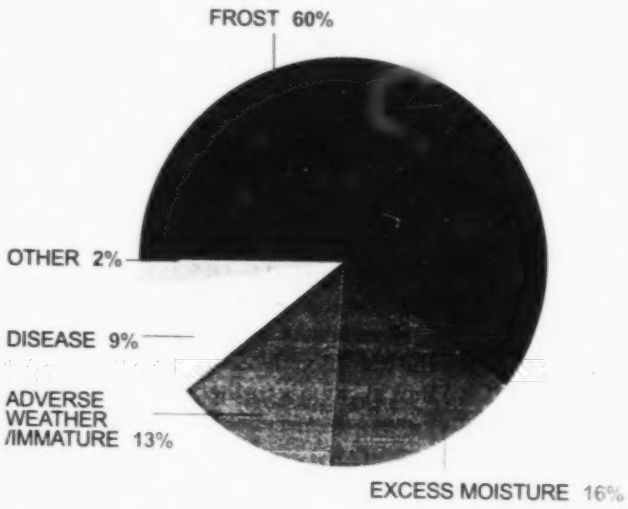
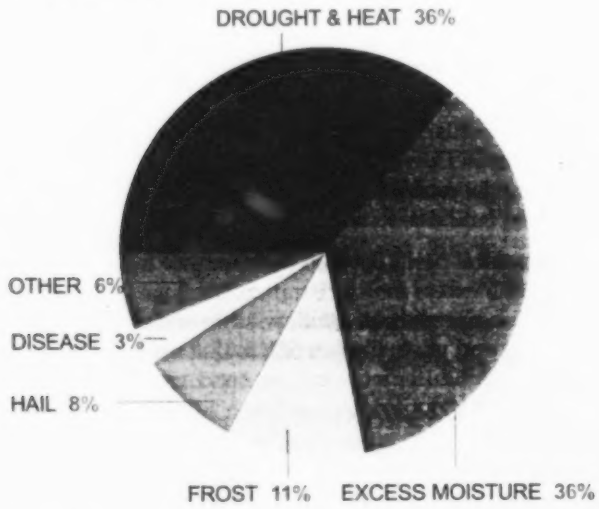


FIGURE 3

HISTORIC CAUSES OF LOSS (1966-67 TO 2003-04)

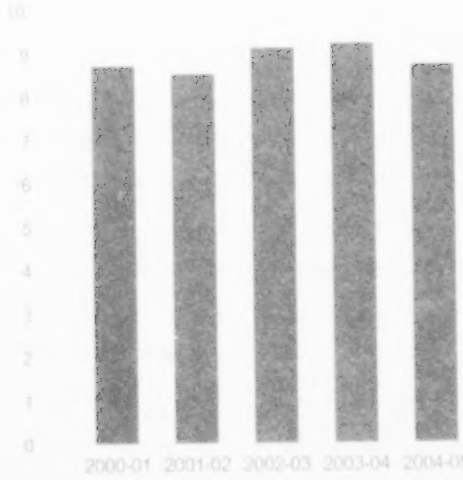
PRODUCTION INSURANCE PROGRAM



The total loss ratio (losses as a percentage of premium) for the 2004-05 crop year was 232%. Loss ratios by crop are listed in Table 4 (Page 18). The highest loss ratios were for sunflowers (992%), grain corn (792%), lentils (642%), dry edible beans (575%), and soybeans (534%). The lowest loss ratios were for fall rye, tame hay, pasture, and forage establishment insurance, which were all less than 50%. It is noted that all loss ratios are expressed net of premium discounts.

In summary, a total of 8.7 million crop acres were insured under the Production Insurance Program for the 2004-05 crop year. This is down 6% from the acres insured in 2003-04. The decrease was due to being unable to seed 600,000 acres due to excess moisture. The resulting Excess Moisture Insurance payments totalled $24.7 million. Figure 4 illustrates the number of crop acres insured over the past five years.

PRODUCTION INSURANCE PROGRAM (MILLIONS)



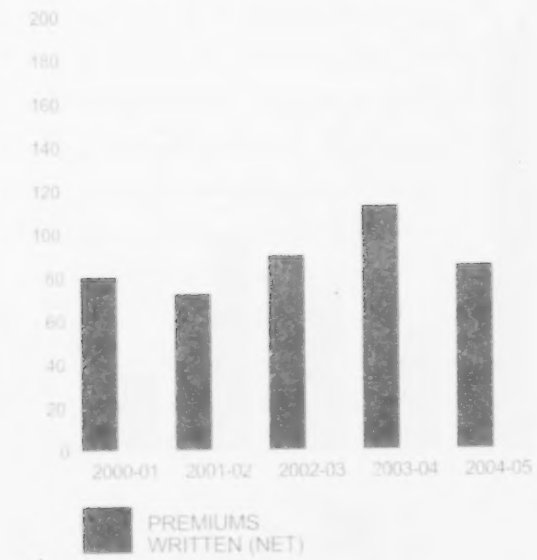
The 2004-05 total premium after discounts was $85.1 million on $1.1 billion of coverage (liability). Indemnity payments for the year totalled $197.7 million, the highest amount in MCIC's history. However, based on the size of the program (i.e. loss ratios), 2004-05 had the fifth largest payment in MCIC's history. A historical summary of net premiums and indemnities is shown in Table 5 (Page 19), with the most recent five years illustrated in Figure 5.

After accounting for interest revenue of $8.0 million, reinsurance premiums of $13.6 million and reinsurance recoveries of $31.0 million, MCIC recorded an $87.4 million loss for 2004-05. This resulted in retained earnings decreasing from $320.3 million to $233.0 million.

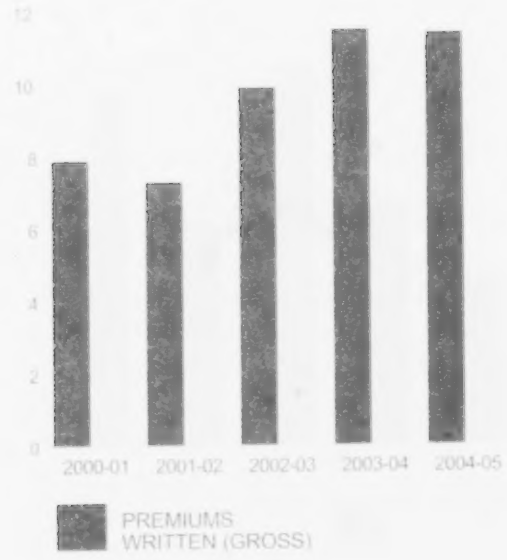
A separate policy covering spot loss hail damage is available to producers enrolled in Production Insurance. Producer premiums fund all of the costs of the Hail Insurance Program, including administrative expenses. Premium rates are calculated using the Production Insurance Program's risk areas, rather than by township as is the case for private hail insurance. Coverage can be selected at any time during the growing season and is available in various dollar amounts depending on the crop. The Hail Insurance Program also provides coverage for losses due to accidental fires.

In 2004-05, MCIC insured 2.8 million acres, with total coverage of $310 million. Premiums prior to discounts were $11.4 million, with indemnities of $4.8 million. The resulting loss ratio (indemnities as a percentage of gross premiums) was 42%. Figure 6 provides a summary of the Hail Insurance Program's loss experience over the last five years.

PRODUCTION INSURANCE PROGRAM ($ MILLIONS)



HAIL INSURANCE PROGRAM ($ MILLIONS)



After adjusting for interest revenues of $0.7 million, reinsurance premium of $1.0 million and administrative expenses of $1.6 million, the Hail Insurance Program had an operating income for the year of $4.4 million. This resulted in retained earnings increasing from $19.8 million to $24.2 million.

Wildlife Damage Compensation Program

The Wildlife Damage Compensation Program reduces the financial loss suffered by producers from damage caused by migratory waterfowl, big game and livestock predators. Producers are expected to take reasonable steps to prevent wildlife damage and predator attacks.

In order to move toward the funding provided through the Agricultural Policy Framework (APF), compensation was reduced from 100% to 80% of lost production starting in 2004-05. The change in the level of compensation needs to be considered when comparing program results for 2004-05 with previous years.

Wildlife Damage Compensation payments and administrative expenses totalled almost $2.3 million in 2004-05. Payments were up 30% from the previous year mainly due to increased waterfowl losses. The experience for each program component is shown in Table 1.

WILDLIFE DAMAGE COMPENSATION PROGRAM
($ MILLIONS)

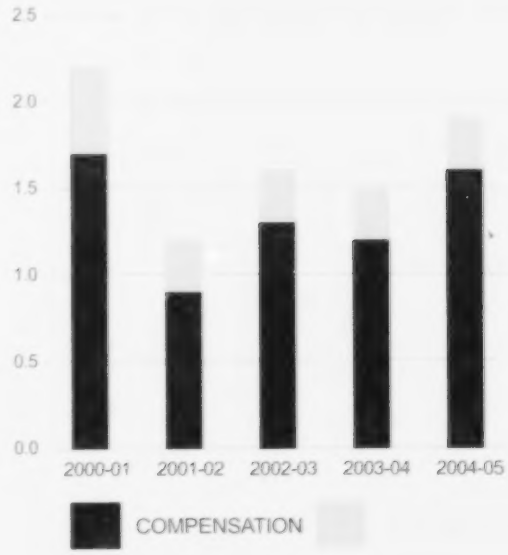


Figure 7 provides a summary of the Wildlife Damage Compensation Program payments and administrative expenses for the last five years.

TABLE 1
WILDLIFE DAMAGE COMPENSATION PROGRAM

Cause of Damage	Number of Claims		Compensation (000)		Administration (000)		Total (000)	
	2004-05	2003-04	2004-05	2003-04	2004-05	2003-04	2004-05	2003-04
Big Game	610	739	$ 693.4	$ 975.4	$ 160.7	$ 214.9	$ 854.1	$ 1,190.3
Waterfowl	413	108	1,015.1	273.9	77.1	25.3	1,092.2	299.2
Livestock Predation	981	954	226.7	239.0	95.1	97.3	321.8	336.3
Total	**2,004**	**1,801**	**$ 1,935.2**	**$ 1,488.3**	**$ 332.9**	**$ 337.5**	**$ 2,268.1**	**$ 1,825.8**

On May 20, 2003, Canadian exports of live ruminants and most ruminant products to the U.S. were suspended after a cow in Alberta was found to have BSE (Bovine Spongiform Encephalopathy). To assist livestock producers during the BSE crisis, a number of ad hoc programs were developed. The following BSE-related ad hoc programs were administered by MCIC during 2004-05:

- **CANADA CULL ANIMAL PROGRAM** – assisted producers with breeding herds that could not be culled in a normal fashion due to the closure of the U.S. border. A one-time payment was made based on a percentage of the producer's registered breeding herd. The program was funded entirely by Canada. Manitoba offered a similar program (the Manitoba Cull Animal Program) in 2003-04.
- **CANADA-MANITOBA FED CATTLE SET-ASIDE PROGRAM** – assisted producers by indirectly increasing the price of slaughter cattle. This was accomplished by managing the supply of fed cattle in relation to slaughter capacity. Producers who agreed to delay the sale of market ready animals for 90 to 120 days were compensated for a portion of the expenses incurred during the set-aside period. The level of compensation was established based on a competitive bidding system. The program was funded 60% by Canada and 40% by Manitoba.
- **CANADA-MANITOBA FEEDER CALF SET-ASIDE PROGRAM** – assisted producers by indirectly improving market conditions for 2003 animals as well as for the 2004 calf crop. This was accomplished by providing producers with an incentive to set aside and withhold a portion of their 2004 beef calves from slaughter until January 1, 2006. This assisted the industry in balancing the supply of fed cattle relative to slaughter capacity. The program was funded 60% by Canada and 40% by Manitoba.
- **MANITOBA OTHER RUMINANT INDUSTRY TRANSITIONAL PROGRAM** – assisted producers of other ruminants animals (bison, sheep, goats, elk, and deer) in dealing with depressed market prices. This was accomplished by making direct per head payments on 80% of their livestock inventory. The program was funded entirely by Manitoba.

Table 2 provides financial information for each of the BSE-related programs. MCIC's administrative expenses for the BSE related programs averaged 1.5% of the compensation paid.

	Number of Claims	Compensation (000)	Administration (000)	Total (000)
Canada Cull Animal Program	8,856	$ 10,467.0	$ 168.7	$ 10,635.6
Canada-Manitoba Fed Cattle Set-Aside Program	49	415.6	65.5	481.1
Canada-Manitoba Feeder Calf Set-Aside Program	2,436	22,096.4	241.1	22,337.5
Manitoba Other Ruminant Industry Transitional Program	623	630.5	26.6	657.1
Total	**11,964**	**$ 33,609.5**	**$ 501.9**	**$ 34,111.3**

In March 2005, MCIC assumed responsibility for the administration of the Manitoba Agriculture Weather Services Consortium, on behalf of Manitoba Agriculture, Food and Rural Initiatives (MAFRI). The program is funded via the Manitoba Association of Agricultural Societies (MAAS) using money sourced from the Canada-Manitoba Agri-Food Research and Development Initiative II (ARDI II). The goal of the program is to establish a modest network of weather stations, enabling the provision of on-line access to weather related databases and products. Funding of up to $476,000 is available for this program.

TABLE 3
FIVE YEAR STATISTICS

	2004-05	2003-04	2002-03	2001-02	2000-01
PRODUCTION INSURANCE PROGRAM					
Total coverage ($ millions)	1,111.5	1,349.5	1,201.6	966.9	832.2
Number of producer contracts	10,654	10,813	10,928	11,054	11,309
Insured acres (000)	8,706	9,249	9,140	8,542	8,683
Premiums – Producers ($000)	30,932	33,188	26,056	19,941	21,490
Premiums – Government of Canada ($000)	32,522	47,555	35,676	29,357	32,939
Premiums – Province of Manitoba ($000)	21,681	31,703	27,990	22,895	25,542
Total premiums ($000)	85,135	112,446	89,722	72,193	79,970
Indemnities paid ($000)	197,731	57,068	75,961	97,347	36,291
Number of claims paid	13,617	8,337	10,125	10,525	6,013
Administrative expenses ($000)	11,217	9,433	10,016	9,996	9,221
Average insured acres per contract	817	855	836	773	768
Average coverage per contract ($)	104,326	124,805	109,956	87,470	73,587
Average coverage level selected (%)	73.9	73.6	73.4	71.2	70.9
Average producer premium per contract ($)	2,903	3,069	2,384	1,804	1,900
Average total premium per contract ($)	7,991	10,399	8,210	6,531	7,071
Average indemnity per claim ($)	14,521	6,845	7,502	9,249	6,035
Net income for the year ($ millions)	(87.4)	47.3	7.2	(20.4)	57.7
Funds retained at year end ($ millions)	233.0	320.3	273.0	265.8	286.2
HAIL INSURANCE PROGRAM					
Total coverage ($ millions)	309.9	317.6	289.9	223.8	241.6
Number of producer contracts	3,753	3,947	3,734	3,238	3,444
Insured acres (000)	2,803	2,901	2,674	2,105	2,295
Premiums, net of discounts ($000)	11,080	11,231	9,687	7,131	7,754
Indemnities paid ($000)	4,799	6,894	10,568	6,325	9,738
Number of claims paid	1,098	1,535	2,157	1,509	2,646
Administrative expenses ($000)	1,586	1,693	1,701	1,503	1,773
Average insured acres per contract	747	735	716	650	666
Average coverage per contract ($)	82,565	80,468	77,637	69,117	70,151
Average premium per contract ($)	2,952	2,845	2,594	2,202	2,251
Average indemnity per claim ($)	4,370	4,491	4,899	4,192	3,680
Net income for the year ($ millions)	4.4	2.2	(2.8)	(0.3)	(0.8)
Funds retained at year end ($ millions)	24.2	19.8	17.6	20.4	20.7
WILDLIFE DAMAGE COMPENSATION PROGRAM					
Number of claims paid	2,004	1,801	1,845	1,480	1,987
Amount of compensation paid ($000)	1,935	1,488	1,622	1,179	2,221
Administrative expenses ($000)	333	337	282	253	487
Average compensation per claim ($)	966	826	879	797	1,118

2004 Growing Conditions

THE 2004 GROWING SEASON WAS ONE OF THE COLDEST ON RECORD, RESULTING IN A SIGNIFICANT NUMBER OF CROPS THAT FAILED TO MATURE. THE RESULT WAS REDUCED YIELDS AND/OR QUALITY PROBLEMS PARTICULARLY FOR LONG SEASON CROPS.

Due to cold conditions, seeding generally started later than normal. On May 11, a storm dropped 30 to 40 cm of wet snow on a large portion of Manitoba delaying much of the seeding into June. Some areas remained very wet, with 600,000 acres not being seeded.

Many parts of Manitoba reported the coldest summer on record. By the end of June, most crops were already three weeks behind their normal development. A continuation of cool conditions in July and August further delayed crop development. The first fall frost occurred on August 20, damaging some crops, particularly south of the Riding Mountain National Park.

Persistent rains in late August and September further delayed crop maturity and harvest. During this time, most of Manitoba received more than 150% of normal precipitation. By mid-September, harvest was only 10% complete, compared to the normal of about 50%. On October 1, a major killing frost stopped any further development of immature crops.

The weather in late October and early November was the bright spot of the year. Most of the crop was harvested and in many areas a significant amount of fall fieldwork was able to be completed.

For most of the major short season crops, yields were above average. Provincial yields were 33% above average for red spring wheat (48 bu/ac) and oats (93 bu/ac). Yields for Argentine canola, barley, and flax averaged 15% above average (33, 69 and 21 bu/ac, respectively). Despite good yields, quality for many crops was reduced, mainly due to immaturity and wet conditions at harvest. In contrast, extensive yield and quality losses occurred for long season crops such as corn, dry edible beans, soybeans and sunflowers. For example, more than 95% of sunflower and grain corn liabilities were paid out.

The first cut of hay was average to above average in terms of yield, with quality ranging from marginal to good. Yield and quality of subsequent hay cuts were affected by frequent rains. Overall, hay yields were about average and overwinter feed stocks were generally adequate.

TABLE 4 • SUMMARY OF INSURANCE WRITTEN AND MAJOR CAUSES OF LOSS BY CROP
(FOR THE YEAR ENDED MARCH 31, 2005) • PRODUCTION INSURANCE PROGRAM

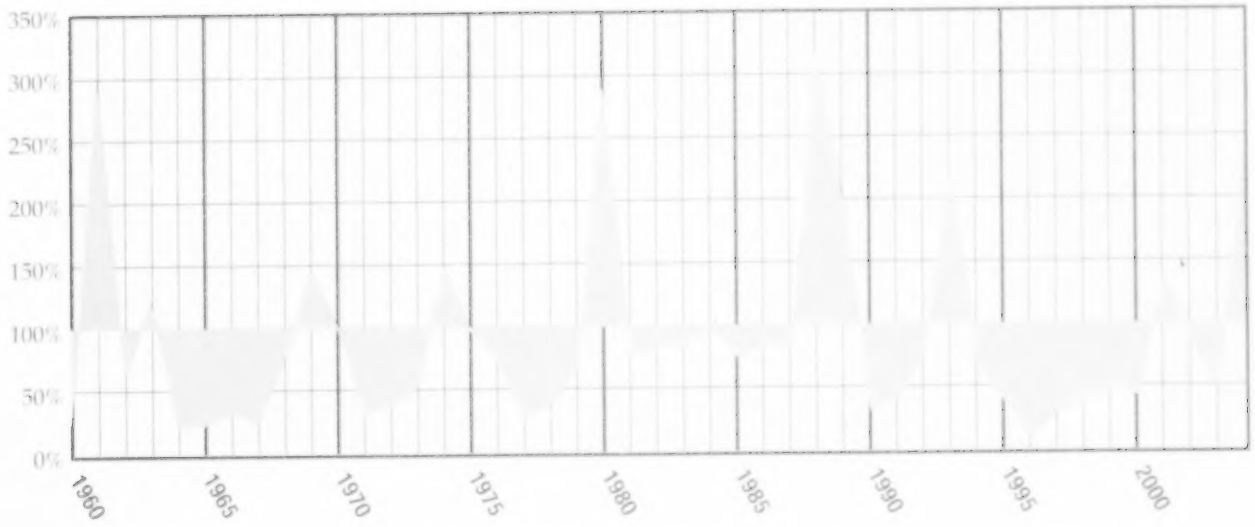
Crop	Acres Insured	Coverage ($000)	Total Premium ($000)	Indemnities ($000)	Loss Ratio (%)	Major Causes of Loss					
							(%)		(%)		(%)
Red Spring Wheat	2,069,180	$ 205,261.2	$ 12,746.9	$ 17,795.6	140	Frost	70	Excess Moisture	12	Adverse Weather	5
Durum Wheat	10,054	833.4	65.1	90.9	140	Frost	65				
Extra Strong Wheat	3,927	303.5	23.5	49.3	210	Frost	79	Excess Moisture	21		
Prairie Spring Wheat	16,042	1,467.7	117.6	213.7	182	Frost	94	Excess Moisture	5		
Hard White Wheat	249,342	26,695.4	1,810.6	1,677.6	93	Frost	66	Excess Moisture	25	Adverse Weather	5
Feed Wheat	32,967	2,494.3	202.6	195.5	97	Excess Moisture	60	Frost	40		
Winter Wheat	353,959	32,475.0	2,627.7	1,568.2	60	Frost	26	Winterkill	24	Drought	22
Barley	747,185	66,968.0	4,062.3	3,250.4	80	Frost	47	Excess Moisture	39	Adverse Weather	5
Oats	567,440	59,069.2	4,169.2	3,267.4	78	Excess Moisture	54	Frost	26	Adverse Weather	10
Mixed Grain	4,908	320.6	31.7	24.4	77	Excess Moisture	48	Frost	15		
Fall Rye	62,126	4,345.3	412.0	130.5	32	Excess Moisture	57	Frost	24	Drought	14
Triticale	2,369	132.9	8.5	5.4	64	Excess Moisture	33	Frost	33	Adverse Weather	33
Canola	2,380,670	342,459.4	25,399.7	28,094.1	111	Frost	74	Adverse Weather	5		
Flax	280,099	29,721.4	2,290.2	5,590.2	244	Frost	75	Excess Moisture	14		
Mustard	7,076	662.1	87.8	127.6	145	Frost	92	Excess Moisture	8		
Oil Sunflowers	24,221	3,326.0	244.6	2,220.2	908	Frost	57	Excess Moisture	28	Disease	5
Non Oil Sunflowers	119,171	26,760.8	2,403.4	24,249.2	1,009	Frost	61	Excess Moisture	15	Adverse Weather	9
Buckwheat	7,204	509.4	103.9	256.9	247	Frost	86	Excess Moisture	8	Adverse Weather	6
Grain Corn	150,287	31,021.2	3,765.3	29,835.9	792	Frost	48	Mold	30		
Silage Corn	50,395	11,409.2	445.5	2,434.9	547	Frost	59	Excess Moisture	29	Adverse Weather	6
Potatoes	84,969	111,866.1	5,993.1	3,585.1	60	Excess Moisture	41	Frost	27	Disease	26
Vegetables *	318	686.3	23.5	106.5	453	Frost	15	Adverse Weather	15	Excess Moisture	15
Field Peas	134,745	13,362.3	967.7	526.7	54	Frost	34	Hail	27	Excess Moisture	24
Lentils	2,346	284.4	37.1	238.3	642	Frost	36	Excess Moisture	32		
Fababeans	7,301	902.8	105.2	171.9	163	Frost	47	Excess Moisture	33	Adverse Weather	13
Dry Edible Beans *	194,990	41,806.6	4,526.4	26,026.4	575	Frost	67	Excess Moisture	11	Adverse Weather	11
Soybeans	155,340	21,927.3	2,629.2	14,030.2	534	Frost	59	Excess Moisture	22	Adverse Weather	17
Tame Hay *	599,791	42,514.1	3,621.8	1,380.2	38	Excess Moisture	60	Adverse Weather	21	Frost	15
Pasture		5,882.5	551.9	216.2	39	Excess Moisture	56	Adverse Weather	23	Frost	17
Native Hay	35,217	874.2	129.0	353.4	274	Excess Moisture	96				
Forage Establishment	100,900	3,389.9	475.0	184.3	39	Winter Kill	33	Excess Moisture	19	Grasshoppers	12
Pedigreed Timothy Seed	16,809	1,362.7	177.2	141.1	80	Excess Moisture	58	Frost	21	Adverse Weather	11
Alfalfa Seed	29,514	3,573.2	559.1	1,330.8	238	Excess Moisture	47	Adverse Weather	29	Frost	25
Canaryseed	29,801	2,921.4	303.1	457.7	151	Frost	52	Excess Moisture	45		
Annual Ryegrass Seed	4,079	379.6	55.7	53.6	96	Excess Moisture	88	Frost	10		
Perennial Ryegrass Seed	17,063	2,216.9	333.2	191.2	57	Excess Moisture	74	Adverse Weather	13	Frost	7
Hemp Grain	4,065	547.6	46.5	202.9	436	Excess Moisture	66	Frost	20	Adverse Weather	10
Greenfeed	149,112	10,688.2	909.2	1,517.7	167	Excess Moisture	48	Frost	35	Adverse Weather	8
Open Pollinated Corn	582	65.4	8.8	45.8	521	Frost	47	Excess Moisture	39		
Unallocated Adjustments**			0.9	1,224.3							
Subtotal	8,705,564	$ 1,111,487.5	$ 82,471.9	173,062.2	210	Frost	58	Excess Moisture	18	Adverse Weather	7
Excess Moisture Insurance	8,181,875	$ 390,906.1	2,663.1	24,669.1	926						
Total			$ 85,135.0	$ 197,731.3	232						

*Dry Edible Beans include White Pea, Pinto, Black, Kidney, Cranberry, Red Mexican and Other Field Beans • Tame Hay includes Alfalfa, Alfalfa / Grass Mixtures, Grasses and Sweet Clover. Vegetables include Carrots, Cooking Onions, Rutabagas and Parsnips • **Includes accruals for incomplete claims at year end and prior year adjustments.

Year	PRODUCTION INSURANCE PROGRAM [1] [5] Number of Contracts [2]	Acres Insured	Coverage ($000)	Producer Premiums ($000)	Total Premiums [3] ($000)	Indemnities ($000) [3]	Annual Loss Ratio (%)	HAIL INSURANCE PROGRAM Number of Contracts	Acres Insured	Coverage ($000)	Premiums [4] ($000)	Indemnities ($000)	Annual Loss Ratio (%)
1970-71	13,669	1,587,276	26,873	1,505.2	2,006.9	2,061.5	103	1,583	227,926	4,576	114.3	112.8	99
1971-72	13,233	2,244,971	36,961	2,187.3	2,916.4	1,018.4	35	2,668	561,663	11,463	279.9	80.1	29
1972-73	11,945	2,027,966	35,354	1,895.8	2,527.8	983.1	39	2,443	528,351	10,932	270.9	70.5	26
1973-74	13,585	3,070,213	59,651	2,135.6	4,271.3	2,216.5	52	3,626	983,978	24,521	550.0	617.0	112
1974-75	13,878	3,220,838	81,769	2,846.6	5,693.2	8,299.4	146	3,681	1,016,056	30,928	684.6	423.2	62
1975-76	14,199	3,640,868	126,602	4,785.4	9,570.8	9,338.9	98	4,411	1,255,907	42,472	902.8	1,239.5	137
1976-77	14,583	4,019,879	151,564	5,630.8	11,261.7	8,881.8	79	4,263	1,317,874	47,318	1,029.2	1,197.2	116
1977-78	18,016	5,134,974	210,442	9,384.7	18,769.5	5,590.6	30	4,751	1,530,513	57,205	1,261.5	1,231.5	98
1978-79	15,950	4,551,774	189,208	8,273.6	16,547.2	6,445.4	39	5,062	1,729,463	66,998	1,700.1	1,825.2	107
1979-80	17,275	4,237,086	186,806	8,355.8	16,711.6	11,177.1	67	4,260	1,576,189	63,685	1,683.2	997.9	59
1980-81	14,176	4,741,665	245,847	9,763.1	19,526.1	55,288.7	283	3,518	1,225,244	62,927	1,552.3	1,042.7	67
1981-82	14,633	4,945,403	301,470	12,035.9	24,071.8	18,770.3	78	4,435	1,753,538	94,251	2,273.1	2,266.4	100
1982-83	14,087	4,869,848	309,764	13,256.1	26,512.1	22,600.4	85	4,686	1,961,043	128,490	3,196.1	2,557.6	80
1983-84	13,837	4,878,330	322,254	13,329.9	26,659.7	22,297.6	84	5,104	2,193,680	142,994	3,520.8	3,038.1	86
1984-85	14,087	5,201,958	355,025	15,028.4	30,056.8	29,543.0	98	6,079	2,708,265	178,872	4,603.9	7,728.1	168
1985-86	14,723	5,577,676	438,226	21,827.7	43,655.4	33,287.6	76	6,678	3,113,683	258,223	8,125.4	3,696.9	45
1986-87	14,671	5,367,024	436,142	21,509.1	43,018.1	36,561.7	85	6,634	3,078,347	255,947	8,255.6	6,535.7	79
1987-88	14,070	5,230,009	333,527	16,530.5	33,061.1	27,921.7	84	5,607	2,487,981	203,797	6,645.5	2,822.3	42
1988-89	14,068	5,622,239	375,629	19,188.4	38,376.8	117,923.8	307	5,165	2,175,320	182,633	5,866.2	3,738.6	64
1989-90	15,765	6,645,918	673,831	35,691.2	71,382.3	138,706.8	194	5,147	2,298,720	187,181	5,574.8	9,688.7	174
1990-91	15,670	6,436,601	567,129	36,966.5	73,932.9	25,196.0	34	4,701	2,062,319	170,633	5,395.0	3,488.0	65
1991-92	15,134	6,431,439	391,504	24,730.1	49,460.2	21,350.6	43	2,193	1,047,118	84,737	2,884.8	3,140.8	109
1992-93	13,660	5,899,450	442,477	25,465.3	50,930.7	39,328.4	77	2,406	1,214,543	98,448	3,471.6	2,399.8	69
1993-94	12,799	5,848,025	458,161	24,495.7	48,991.3	104,188.7	213	2,726	1,429,518	115,933	4,100.7	7,115.9	174
1994-95	12,482	6,319,940	512,912	27,161.3	54,322.6	38,036.7	70	2,773	1,481,142	122,867	4,924.6	4,998.6	102
1995-96	11,972	5,811,396	488,366	26,952.0	53,904.1	22,249.3	41	3,705	2,150,903	187,016	7,588.9	5,107.2	67
1996-97	12,788	8,175,360	755,404	23,435.3	82,464.7	11,101.5	13	5,364	3,440,183	315,785	11,813.2	3,801.0	32
1997-98	12,421	8,439,182	900,449	26,833.0	97,398.7	32,494.6	33	5,203	3,383,648	307,827	12,583.3	7,987.0	63
1998-99	11,644	8,495,967	884,092	25,517.2	93,637.5	34,346.3	37	4,533	3,009,432	274,323	11,232.0	2,172.5	19
1999-00	11,273	7,687,037	855,227	23,491.6	85,529.6	42,357.9	50	3,378	2,029,004	185,403	7,012.0	4,048.3	58
2000-01	11,309	8,683,097	832,206	21,490.3	79,970.3	36,291.5	45	3,444	2,295,240	241,578	7,945.5	9,737.6	123
2001-02	11,054	8,541,961	966,901	19,941.5	72,192.9	97,346.9	135	3,238	2,104,656	223,785	7,306.3	6,324.5	87
2002-03	10,928	9,140,036	1,201,673	26,036.0	89,722.1	75,961.3	85	3,734	2,674,340	289,859	9,929.8	10,568.0	106
2003-04	10,813	9,248,881	1,349,515	33,187.6	112,445.9	57,067.7	51	3,947	2,901,093	317,689	11,514.4	6,893.9	60
2004-05	10,654	8,705,564	1,111,488	30,931.5	85,135.0	197,731.3	232	3,753	2,803,292	309,865	11,370.1	4,798.5	42

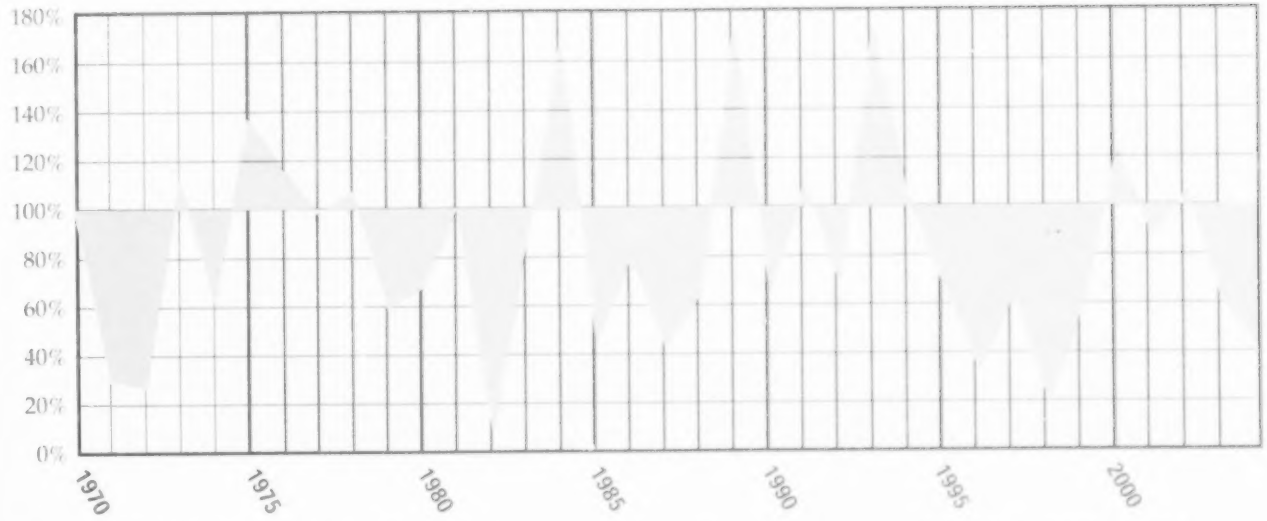
(1) Excludes data from 1960-61 to 1969-70 and the Livestock Feed Security and Honey Programs.
(2) Includes landlord contracts.
(3) The total premium represents the producers' share plus the Government of Canada's and the Province of Manitoba's share.
(4) Hail Insurance Program premiums do not include discounts or surcharges.
(5) For 2000-01 and later years, the acres and coverage for Excess Moisture Insurance are not included in the Production Insurance Program totals.

PRODUCTION INSURANCE PROGRAM



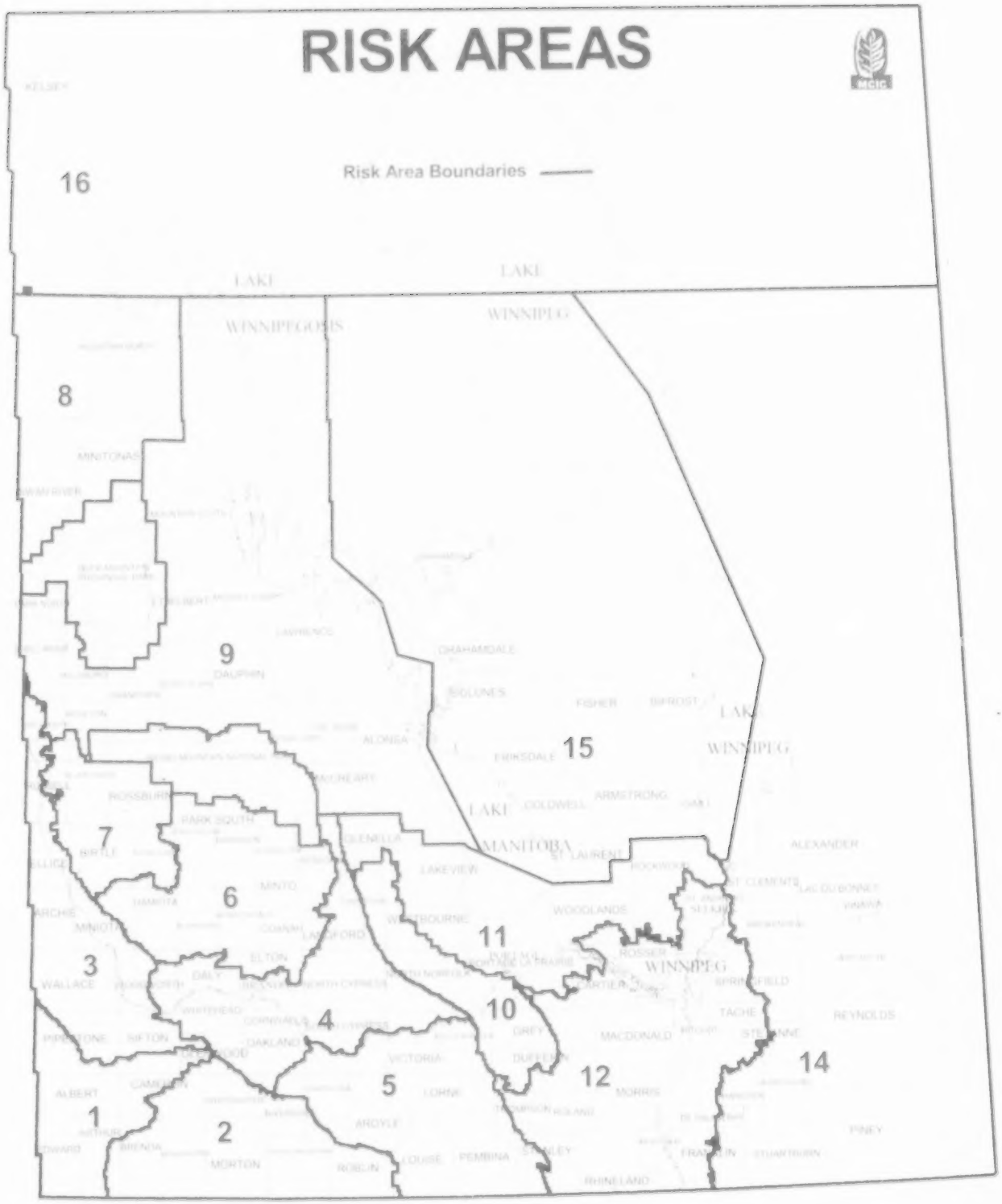
In 2004, the loss ratio was 232%. For comparison purposes, the record low was 13% in 1986 and the record high was 307% in 1988.

HAIL INSURANCE PROGRAM



In 2004, the loss ratio was 42%. For comparison purposes, the record low was 19% in 1988 and the record high was 174% in both 1989 and 1993.

RISK AREAS


Risk Area Boundaries
16
8
9
15
7
6
11
3
4
10
12
14
5
1
2
LAKE
WINNIPEG
WINNIPEGOSIS
MANITOBA
DAUPHIN
MORTON
ROBLIN
PEMBINA
RHINELAND

AGENCIES
Agency Boundaries
MCIC Office Location
KELSEY
LAKE
WINNIPEGOSIS
LAKE
WINNIPEG
MOUNTAIN NORTH
SWAN RIVER
MINITONAS
SWAN RIVER
MOUNTAIN SOUTH
DUCK MOUNTAIN PROVINCIAL PARK
PARK NORTH
ETHELBERT
MOSSEY RIVER
DAUPHIN
LAWRENCE
GRAHAMDALE
FISHER BRANCH
SHELL RIVER
HILLSBURG
DAUPHIN
SIGLUNES
GRANDVIEW
FISHER
BIFROST
LAKE
WINNIPEG
STE. ROSE
ALONSA
RIDING MOUNTAIN NATIONAL PARK
ERIKSDALE
RUSSELL
McCREARY
ROSSBURN
BIRTLE
PARK SOUTH
LAKE
COLDWELL
ARMSTRONG
STONEWALL
GLENELLA
MANITOBA
ST. LAURENT
ALEXANDER
ELLICE
BIRTLE
HAMIOTA
NEEPAWA
MINTO
AKEVIEW
ROCKWOOD
PORTAGE LA PRAIRIE
ST. CLEMENTS
LAC DU BONNET
ARCHIE
MINIOTA
LANGFORD
WESTBOURNE
WOODLANDS
ST. ANDREWS
SELKIRK
PANAMA
ELTON
ROSSER
WALLACE
DALY
BRANDON
NORTH CYPRESS
NORTH NORFOLK
WINNIPEG
CARTIER
SPRINGFIELD
BEAUSEJOUR
VIRDEN
WHITEHEAD
CORNWALLIS
TACHE
REYMOLDS
PIPESTONE
SIFTON
OAKLAND
SOUTH CYPRESS
GREY
MACDONALD
STE. ANNE
SANFORD
GLENWOOD
SOURIS
VICTORIA
DUFFERIN
ALBERT
CAMERON
WHITEWATER
GLENBORO
LORNE
ARGYLE
THOMPSON
ROLAND
CARMAN
ST. PIERRE-JOLYS
ARTHUR
DELORAINE
PINEY
EDWARD
BRENDA
MORTON
TURTLE MOUNTAIN
ROBLIN
LOUISE
PEMBINA
STANLEY
ALTONA
FRANKLIN
STUARTBURN
SOMERSET
RHINELAND

FOR THE YEAR ENDED MARCH 31, 2005

Responsibility for Financial Statements 24

Auditors' Report 25

Balance Sheet 26

Statement of Operations and Funds Retained

- Production Insurance Program 27
- Hail Insurance Program 28

Statement of Cash Flows 29

Statement of Revenue and Expenditure

- Wildlife Damage Compensation Program 30
- Manitoba Agriculture Weather Services Consortium 30
- BSE-Related Programs 31
- Discontinued Programs 32

Notes to Financial Statements 33

Schedule of Administrative Expenses 40

Responsibility for Financial Statements

The Management of the Manitoba Crop Insurance Corporation is responsible for the integrity, objectivity and reliability of the financial statements, accompanying notes and other financial information in the annual report, which it has prepared.

Management maintains internal control systems to ensure that transactions are accurately recorded in accordance with established policies and procedures. In addition, certain best estimates and judgements have been made based on a careful assessment of the available data.

The financial statements and accompanying notes are examined by the Auditor General for Manitoba, whose opinion is included herein. The Auditor General has access to the Board of Directors, with or without Management present, to discuss the results of their audit and the quality of financial reporting of the Corporation.

Neil Hamilton
General Manager

Jim Lewis
Director, Finance & Administration

June 22, 2005

Auditor's Report

To the Legislative Assembly of Manitoba, and
To the Board of Directors of Manitoba Crop Insurance Corporation

We have audited the balance sheet of the Manitoba Crop Insurance Corporation as at March 31, 2005, the statement of operations and funds retained for the Production Insurance program, the statement of operations and funds retained for the Hail Insurance program, the statement of cash flows and the statements of revenue and expenditure for the other agriculture related programs administered by the Corporation on behalf of the Government of the Province of Manitoba, being statements 1-4. These financial statements are the responsibility of the Corporation's Management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principals used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2005 and the results of its operations and its cash flows, and the revenue and expenditure transactions of the programs administered by the Corporation on behalf of the Government of the Province of Manitoba, for the year then ended in accordance with Canadian generally accepted accounting principles.

Office of the Auditor General

Winnipeg, Manitoba

June 22, 2005

Balance Sheet

AS AT MARCH 31, 2005

	Production Insurance Program	Hail Insurance Program	Other Programs *(Note 4)*	2005 Total	2004 Total
Assets					
Cash	$ –	–	–	$ –	$ 767,582
Short-term investments *(Note 3(B))*	124,238,174	13,733,797	1,388,467	139,360,438	291,043,999
Reinsurance claims receivable *(Note 9)*	25,817,743	–	–	25,817,743	–
Accounts receivable *(Note 5)*	7,854,281	620,057	244,179	8,718,517	8,255,756
Prepaid expenses	123,883	–	–	123,883	134,927
Interprogram receivable	12,004	–	–	12,004	230,372
	158,046,085	14,353,854	1,632,646	174,032,585	300,432,636
Long-term investments *(Note 3(B))*	100,000,000	10,000,000	–	110,000,000	55,000,000
Property and equipment *(Note 6)*	357,403	–	–	357,403	524,061
	$ 258,403,488	24,353,854	1,632,646	$ 284,389,988	$ 355,956,697
Liabilities and funds retained					
Bank indebtedness	$ 1,352,690	–	–	$ 1,352,690	$ –
Reinsurance premiums (payable) *(Note 9)*	2,725,751	123,601	–	2,849,352	4,530,120
Indemnities payable *(Note 7)*	18,456,702	2,667	805,448	19,264,817	6,817,323
Accounts payable and accrued liabilities	2,546,151	–	664,988	3,211,139	3,662,501
Interprogram payable	–	5,505	6,499	12,004	230,372
Excess of revenue over expenditure *(Statement 4)*	–	–	30,711	30,711	25,050
	25,081,294	131,773	1,507,646	26,720,713	15,265,366
Deferred revenue *(Note 8)*	357,403	–	125,000	482,403	524,061
Funds retained	232,964,791	24,222,081	–	257,186,872	340,167,270
	$ 258,403,488	24,353,854	1,632,646	$ 284,389,988	$ 355,956,697

APPROVED BY THE BOARD:

CHAIRPERSON

VICE-CHAIRPERSON

PRODUCTION INSURANCE PROGRAM

Statement of Operations and Funds Retained

FOR THE YEAR ENDED MARCH 31, 2005

	2005	2004
Revenue:		
Premiums		
Insured producers	$ 30,931,485	$ 33,187,575
Government of Canada *(Note 3(F))*	32,522,137	47,555,188
Province of Manitoba *(Note 3(F))*	21,681,377	31,703,180
	85,134,999	112,445,943
Less premiums ceded *(Note 9)*		
Reinsurance Fund of Canada	425,675	1,220,989
Reinsurance Fund of Manitoba	425,675	562,230
Private sector reinsurance	12,776,826	15,513,013
	13,628,176	17,296,232
Net premiums	71,506,823	95,149,711
Reinsurance recoveries *(Note 9)*	31,016,094	–
Interest	7,935,984	9,323,258
Total revenue	110,458,901	104,472,969
Expenditure:		
Indemnities	197,731,266	57,067,686
Doubtful accounts	102,643	16,759
Administrative expenses – Schedule 1	11,217,287	9,432,868
Administrative expenses recovered from		
Government of Canada *(Note 3(G))*	(6,723,536)	(4,226,502)
Province of Manitoba *(Note 3(G))*	(4,490,129)	(2,860,590)
Insured producers *(Note 3(G))*	(3,622)	(2,345,776)
Net expenditure	197,833,909	57,084,445
Income (loss) for the year	(87,375,008)	47,388,524
Funds retained, beginning of year	320,339,799	272,951,275
Funds retained, end of year	$ 232,964,791	$ 320,339,799

HAIL INSURANCE PROGRAM

FOR THE YEAR ENDED MARCH 31, 2005

	2005	2004
Revenue:		
Premiums, net of discounts	$ 11,079,747	$ 11,230,777
Less premiums ceded for reinsurance *(Note 10)*	1,005,744	1,020,262
Net premiums	10,074,003	10,210,515
Interest and surcharges	678,645	656,227
Total revenue	10,752,648	10,866,742
Expenditure:		
Indemnities	4,798,538	6,893,917
Administrative expenses – Schedule 1	1,585,674	1,693,091
Doubtful accounts (recoveries)	(26,174)	33,424
Total expenditure	6,358,038	8,620,432
Income for the year	4,394,610	2,246,310
Funds retained, beginning of year	19,827,471	17,581,161
Funds retained, end of year	$ 24,222,081	$ 19,827,471

FOR THE YEAR ENDED MARCH 31, 2005

	Production Insurance Program	Hail Insurance Program	Other Programs	2005 Total	2004 Total
Cash provided by (used for)					
Operating activities:					
Income (loss) for the year					
Income (loss) before interest revenue	$ (95,310,992)	3,715,965	(52,721)	$ (91,647,748)	$ 39,587,735
Interest revenue	7,935,984	678,645	58,440	8,673,069	10,049,362
	(87,375,008)	4,394,610	5,719	(82,974,679)	49,637,097
Items not involving cash					
Changes in allowance for doubtful accounts	52,553	(41,898)	(10,949)	(294)	(59,253)
Amortization of property and equipment	198,348	–	–	198,348	267,894
Changes in:					
Reinsurance claims receivable	(25,817,743)	–	–	(25,817,743)	–
Accounts receivable	(1,626,432)	256,639	(85,106)	(1,454,899)	(1,815,541)
Interest receivable	1,088,271	(95,694)	(145)	992,432	674,548
Prepaid expenses	11,044	–	–	11,044	(29,312)
Interprogram receivable/payable	(242,376)	7,396	234,980	–	–
Reinsurance premiums payable	(1,578,071)	(102,697)	–	(1,680,768)	(193,156)
Indemnities payable	14,058,476	(2,683)	(1,608,299)	12,447,494	677,260
Accounts payable and accrued liabilities	(582,963)	–	131,601	(451,362)	1,161,407
Cash provided by (used for) operating activities	(101,813,901)	4,415,673	(1,332,199)	(98,730,427)	50,320,944
Investing activities:					
Sale of short-term investments	140,815,841	584,327	–	141,400,168	49,983,416
Purchase of long-term investments	(50,000,000)	(5,000,000)	–	(55,000,000)	(55,000,000)
Purchase of property and equipment	(31,690)	–	–	(31,690)	(109,314)
Cash used for investing activities	90,784,151	(4,415,673)	–	86,368,478	(5,125,898)
Financing activities:					
Refunds to participants	–	–	(58)	(58)	(5,639)
Deferred revenue	(166,658)	–	125,000	(41,658)	(158,580)
Cash used for financing activities	(166,658)	–	124,942	(41,716)	(164,219)
Net increase (decrease) in cash and short-term investments	(11,196,408)	–	(1,207,257)	(12,403,665)	45,030,827
Cash and cash equivalents, beginning of year	47,542,997	–	2,595,724	50,138,721	5,107,895
Cash and cash equivalents, end of year	$ 36,346,589	–	1,388,467	$ 37,735,056	$ 50,138,722
Cash and cash equivalents comprised of the following:					
Short-term investments	$ 124,238,174	13,733,797	1,388,467	$ 139,360,438	$ 291,044,000
Short-term investments with terms greater than 90 days	86,538,895	13,733,797	–	100,272,692	241,672,860
Short-term investments with terms of 90 days or less	37,699,279	–	1,388,467	39,087,746	49,371,140
Cash (bank indebtedness)	(1,352,690)	–	–	(1,352,690)	767,582
	$ 36,346,589	–	1,388,467	$ 37,735,056	$ 50,138,722

WILDLIFE DAMAGE COMPENSATION PROGRAM *(Note 4(A))*

FOR THE YEAR ENDED MARCH 31, 2005

	2005	2004
Revenue:		
Recovery of expenditures		
Government of Canada	$ 1,353,647	$ 896,877
Province of Manitoba	914,472	928,903
Total revenue	$ 2,268,119	$ 1,825,780
Expenditure:		
Indemnities	$ 1,935,189	$ 1,488,294
Administrative expenses		
Adjusters' wages, benefits and expenses	309,504	324,853
Audit fees and legal	7,378	3,011
Other administrative expenses	16,048	9,622
	332,930	337,486
Total expenditure	$ 2,268,119	$ 1,825,780

MANITOBA AGRICULTURE WEATHER SERVICE CONSORTIUM *(Note 4(B))*

FOR THE YEAR ENDED MARCH 31, 2005

	2005
Revenue:	
Recovery of expenditures	
Manitoba Association of Agricultural Societies Inc.	$ 7,000
Expenditure:	
Administrative expenses	$ 7,000

BSE (BOVINE SPONGIFORM ENCEPHALOPATHY) RELATED PROGRAMS *(Note 4(C))*

FOR THE YEAR ENDED MARCH 31, 2005

	2005	2004
Revenue:		
Recovery of expenditures		
Government of Canada	$ 24,229,128	$ 12,104,990
Province of Manitoba	9,528,917	33,401,274
Total recovery	33,758,045	45,506,264
Interest	56,197	69,390
Total revenue	$ 33,814,242	$ 45,575,654
Expenditure:		
Program payments:		
Canada-Manitoba BSE Recovery Program	$ (84,387)	$ 20,074,312
Manitoba BSE Feeder Assistance Program	11,820	6,271,525
Manitoba Slaughter Deficiency Program	40,605	9,407,977
Manitoba Drought Assistance Program	(20,932)	4,074,547
Manitoba Cull Animal Program	(8,229)	4,825,838
Manitoba Spring Dead Stock Removal Program	(132,421)	400,000
Canada Cull Animal Program	10,466,951	–
Canada-Manitoba Fed Cattle Set-Aside Program	415,643	–
Canada-Manitoba Feeder Calf Set-Aside Program	22,096,400	–
Manitoba-Other Ruminant Industry Transitional Program	630,469	–
	33,415,919	45,054,199
Doubtful accounts	2,922	339
Administrative expenses	395,401	521,116
Total expenditure	$ 33,814,242	$ 45,575,654

Statement 4

DISCONTINUED PROGRAMS *(Note 4(D))*

Statement of Revenue and Expenditure

FOR THE YEAR ENDED MARCH 31, 2005

	2005	2004
Revenue:		
Recovery (repayment) of expenditures		
Government of Canada	$ –	$ –
Province of Manitoba	(3,200)	–
Total repayment	(3,200)	–
Interest	2,243	487
Total revenue (repayment)	$ (957)	$ 487
Expenditure:		
Program payments recovered	$ (3,200)	$ –
Doubtful accounts recoveries	(4,076)	(6,039)
Refund of excess interest to contributors	600	4,263
Total recoveries	$ (6,676)	$ (1,776)
Excess of revenue over expenditure	5,719	2,263
Excess of revenue over expenditure, beginning of year	25,050	28,426
Refunds to participants, during the year	(58)	(5,639)
Excess of revenue over expenditure, end of year	$ 30,711	$ 25,050

MARCH 31, 2005

1. AUTHORITY

The Manitoba Crop Insurance Corporation was incorporated under a specific Statute of the Province of Manitoba, and operates under the authority of The Crop Insurance Act, Chapter C310 in the Continuing Consolidation of the Statutes of Manitoba.

2. BASIS OF REPORTING

The financial statements of the Corporation are in such form as prescribed by Section 13 of The Crop Insurance Act, and are presented in accordance with Canadian generally accepted accounting principles.

3. SIGNIFICANT ACCOUNTING POLICIES

(A) Programs

Under the provisions of its Act and regulations, the Corporation operates production and hail insurance programs for Manitoba farmers.

The Corporation is also responsible for the administration of various agriculture related programs, including the Wildlife Damage Compensation Program and BSE-related programs, on behalf of the Government of Canada and the Province of Manitoba.

For financial accounting purposes, all programs are regarded as separate operations and are accounted for separately.

(B) Short-Term and Long-Term Investments

Short-term and long-term investments are carried at cost, which approximates market value. Funds available for short-term and long-term investment are invested with the Province of Manitoba, in accordance with Section 20(8) of The Crop Insurance Act.

(C) Property and Equipment and Amortization

Property and equipment are stated at cost less accumulated amortization. Property and equipment are amortized on a straight-line basis over their estimated useful lives, as follows:

Furniture and Equipment	10 years
Computer Hardware	4 years
Computer Software	4 years
Major Application Development	8 years
Leasehold Improvements	Remaining term of the lease

(D) Pensions

Effective April 1, 1998, the Corporation began matching employees' current pension contributions to the Civil Service Superannuation Plan. For the year ended March 31, 2005, the Corporation's matching contributions totalled $394,529. As a matching employer, the Corporation discharges its pension liability on a current basis and, therefore, has no additional pension obligation.

(E) Vacation and Severance Pay

Employees of the Corporation are entitled to vacation and severance pay in accordance with the terms of the Collective Agreements and Corporation policy. The liability for vacation and severance pay is recorded based on the Corporation's best estimates.

(F) Premiums and Government Contributions

The Corporation recognizes as revenue all premiums earned on policies in force during the year. The insurance premium rates are calculated annually by crop and rating area and are based on a 25-year average of historical loss experience adjusted for the program's current level of benefits. Premium rates are adjusted annually to maintain adequate reserves over time. This is done to ensure the financial self-sustainability of the program.

3. SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

The Canada-Manitoba Production Insurance Agreement, which is Annex B to the Canada-Manitoba Implementation Agreement, provides for the cost sharing of the premiums under the Production Insurance Program. The premiums for coverage of 50% of an insured producer's probable yields are shared between the insured producer (17%), the Government of Canada (49.8%) and the Province of Manitoba (33.2%). Premiums for coverage above the 50% level are shared between the insured producers (50%), the Government of Canada (30%) and the Province of Manitoba (20%). For the previous fiscal year, premiums for coverage at the 50% level were shared between the Government of Canada (60%) and the Province of Manitoba (40%) and premiums for coverage above the 50% level were shared between the insured producers (50%), the Government of Canada (30%) and the Province of Manitoba (20%).

(G) Administrative Expenses

The agreement relating to the Production Insurance Program, referred to in Section (F) of this note, stipulates that administrative expenses, net of any administrative revenues, will be shared by the Government of Canada (60%) and the Province of Manitoba (40%). In the previous crop year, administrative revenues included a per acre administrative fee which was shown as a recovery from insured producers. The per acre administrative fee was discontinued for the 2004 crop year. All administrative expenses relating to the Hail Insurance Program are recovered from the insured producers.

Identifiable administrative expenses for all of the programs administered by the Corporation are charged directly to the specific program. Where the direct charging of administrative expenses to specific programs is not possible, these expenses are allocated to each program on a basis approved by the Corporation's Board of Directors.

(H) Use of Estimates

In preparing the Corporation's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expenses during the period. Actual results could differ from these estimates.

(I) Financial Instruments

The Corporation's financial instruments consist of cash, accounts receivable, investments and accounts payable. It is management's opinion that the Corporation is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair values of these financial instruments approximate their carrying values, unless otherwise noted.

4. OTHER PROGRAMS

(A) Statement 1

Wildlife Damage Compensation Program

The Corporation administers the Wildlife Damage Compensation Program which compensates producers for 80% of the damage to agricultural crops and products caused by waterfowl or wildlife (big game animals), and the injury or death of domestic livestock caused by natural predators. Compensation and all administrative expenses are shared by the Government of Canada (60%) and the Province of Manitoba (40%). For the previous fiscal year, producers were compensated for 100% of damage, with the first 80% of compensation and all administrative expenses shared by the Government of Canada (60%) and the Province of Manitoba (40%), with the remaining 20% of compensation paid by the Province of Manitoba.

4. OTHER PROGRAMS *(cont'd)*

(B) Statement 2

Manitoba Agriculture Weather Service Consortium

In March 2005, the Corporation assumed responsibility for the administration of the Manitoba Agriculture Weather Service Consortium. The purpose of the Consortium is to establish a modest network of weather stations to provide regional weather data which is required to forecast pest and plant disease outbreaks, forecast and monitor drought and excess moisture conditions and to enhance the fundamental knowledge base of the agri-food sector. Products derived from the weather data can improve environmental stewardship, help increase farm profits, and aid public sector decision making in a range of areas. The Consortium will be funded through an Agri-Food Research and Development Initiative II (ARDI II) contribution. A total of $7,000 in administrative expenses was incurred to March 31, 2005.

(C) Statement 3

BSE (Bovine Spongiform Encephalopathy) Related Programs:

Canada Cull Animal Program

In April 2004, the Corporation was authorized to administer the Canada Cull Animal Program in Manitoba on behalf of the Government of Canada. The program provided assistance to Manitoba farmers who own breeding herds and were affected by the closure of the U.S. border due to BSE. The Government of Canada provided over $10.4 million in compensation through this program.

Canada-Manitoba Fed Cattle Set-Aside Program

In October 2004, the Corporation was authorized to administer the Canada-Manitoba Fed Cattle Set-Aside Program. The purpose of the program was to increase the price of slaughter cattle by managing the supply of slaughter cattle in relation to slaughter capacity. The program paid out just over $0.4 million in compensation in 2004, with the costs shared by the Government of Canada (60%) and the Province of Manitoba (40%).

Canada-Manitoba Feeder Calf Set-Aside Program

In October 2004, the Corporation was authorized to administer the Canada-Manitoba Feeder Calf Set-Aside Program. The program was designed to set aside a portion of the beef calves born in 2004, in order to improve market conditions for 2003 animals and for the remaining 2004 calf crop. The program paid out approximately $22.1 million in compensation, which was cost shared by the Government of Canada (60%) and the Province of Manitoba (40%).

Manitoba Other Ruminant Industry Transitional Program

In January 2005, the Corporation was authorized to administer the Manitoba Other Ruminant Industry Transitional Program. The program provided assistance to Manitoba producers who owned ruminant animals other than cattle and had been adversely affected by the closure of the U.S. border due to BSE. The program paid compensation of over $0.6 million, with 100% of the funding from the Province of Manitoba.

Other BSE Related Programs

Minor payments and adjustments were made to the previous year's BSE related programs, totalling approximately ($0.2) million. Program payments in the year ended March 31, 2004 were over $45.0 million.

4. OTHER PROGRAMS *(cont'd)*

(D) Statement 4

Discontinued Programs

Discontinued Programs provide a summary of transactions, such as interest and bad debt recoveries, relating to programs which are no longer active.

Discontinued Programs include the Revenue Protection component of the Gross Revenue Insurance Plan (GRIP), the Manitoba Farm Disaster Assistance Program (MFDAP), the Canada-Manitoba Adjustment Program (CMAP) and the Canada-Manitoba Adjustment Program 2 (CMAP 2).

The excess of revenue over expenditure of $30,711 (2004 - $25,050) includes funds related to the Gross Revenue Insurance Plan and represents the remaining producers' share of this program. This amount is currently being held pending a decision on its distribution for the benefit of Manitoba's producers.

5. ACCOUNTS RECEIVABLE

The accounts receivable as of March 31, 2005 consist of the following:

	March 31, 2005				March 31, 2004
	Production Insurance Program	Hail Insurance Program	Other Programs	Total	Total
Insured producers	$ 1,166,354	344,085	1,489	$ 1,511,928	$ 1,553,576
Government of Canada	3,162,266	–	238,013	3,400,279	1,888,825
Province of Manitoba	1,378,243	–	–	1,378,243	1,351,168
Accrued interest	1,865,669	275,972	4,677	2,146,318	3,116,374
Other	281,749	–	–	281,749	355,813
	$ 7,854,281	620,057	244,179	$ 8,718,517	$ 8,265,756

6. PROPERTY AND EQUIPMENT

	March 31, 2005		March 31, 2004	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Furniture and equipment	$ 343,274	$ 158,633	$ 314,502	$ 131,235
Computer hardware	403,778	353,063	402,323	368,303
Computer software	92,477	73,976	92,477	64,984
Major application development	2,907,418	2,850,794	2,907,418	2,756,936
Leasehold improvements	297,560	250,638	297,560	228,751
	$ 4,044,507	$ 3,687,104	$ 4,014,280	$ 3,490,219
Net book value		$ 357,403		$ 524,061

7. INDEMNITIES PAYABLE

Indemnities payable for the Production Insurance Program of $18,456,702 (2004 - $4,398,226) provide for indemnity payments relating to the 2004 crop year. This amount includes an estimate of $8,000,000 (2004 - $3,150,000), which represents the liability for unpaid claims and the over-winter deterioration of unharvested crops.

7. INDEMNITIES PAYABLE (cont'd)

Indemnities payable for Other Programs of $805,448 (2004 - $2,413,747) include a provision of $570,331 (2004 - $2,159,263) for outstanding BSE program payments and a provision of $222,803 (2004 - $254,483) for the Wildlife Damage Compensation Program.

8. DEFERRED REVENUE

Deferred revenue represents administrative subsidies provided by the Government of Canada (60%) and the Province of Manitoba (40%) and is used to acquire property and equipment. Deferred revenue is recognized as revenue when amortization is recorded on property and equipment.

9. REINSURANCE – PRODUCTION INSURANCE PROGRAM

In accordance with the terms of the reinsurance agreement between the Government of Canada and the Province of Manitoba, the two levels of government maintain separate reinsurance accounts. The Corporation pays reinsurance premiums to the Crop Reinsurance Fund of Canada for Manitoba, and to the Crop Reinsurance Fund of Manitoba, based on the amount of premiums collected and the cumulative financial balance of the program. When indemnities paid to insured producers exceed the funds retained by the Corporation including any private sector reinsurance recoveries, transfers are made from the reinsurance funds to the Corporation. Interest is neither credited nor charged to the respective reinsurance funds by the Government of Canada or the Province of Manitoba. The surpluses in the Crop Reinsurance Fund of Canada for Manitoba and The Crop Reinsurance Fund of Manitoba are held by the Government of Canada and the Province of Manitoba respectively.

	Crop Reinsurance Fund of Canada for Manitoba		Crop Reinsurance Fund of Manitoba	
	2005	2004	2005	2004
Opening surplus (deficit)	$ –	$ (1,223,214)	$ 22,019,184	$ 21,454,729
Current year premium contributions (n	426,695	1,223,214	426,695	564,455
Closing surplus	$ 426,695	$ –	$ 22,445,879	$ 22,019,184

** Current year reinsurance premium contributions are shown net of an allowance for uncollectible accounts.*

The Corporation entered into a one-year private sector reinsurance agreement for the Production Insurance Program in addition to the financial protection provided by the reinsurance agreement between the Government of Canada and the Province of Manitoba. The private sector reinsurance agreement provided for 28 reinsuring companies to assume 90% of losses (including deemed loss adjustment expenses) from 15% to 25% of Production Insurance coverage. Reinsurance premiums were $12,776,826 (2004 - $13,513,013). Private sector reinsurance recoveries totalled $31,016,094 in 2005 (2004 - $nil).

10. REINSURANCE – HAIL INSURANCE PROGRAM

The Corporation entered into a one-year private sector reinsurance agreement for the Hail Insurance Program. The agreement provided for 16 reinsuring companies to assume hail insurance losses (including loss adjustment expenses) from 125% to 200% of gross premium. Reinsurance premiums were $1,035,744 (2004 - $1,020,262). There were no reinsurance recoveries in 2005 (2004 - $nil).

11. LEASE AGREEMENTS

The Corporation has entered into long-term lease agreements. The minimum payments under these leases are as follows:

Year Ending March 31 st	Lease Agreements Amounts
2006	$ 322,158
2007	431,076
2008	198,256
2009	19,345
2010	13,164
	1,183,999
2011 and beyond	–
	$ 1,183,999

12. CONTINGENCIES

Various legal actions for additional indemnity payments have been commenced by insured producers against the Corporation. The outcome of these claims cannot be determined at this time.

13. ACTUARIAL REVIEW

An actuarial certification of the Production Insurance Program was completed by Tillinghast - Towers Perrin, consulting actuaries, in June 2003. The actuarial reports conclude: that the methodologies used by the Corporation to establish the probable yields of the crops insured under the program meet the requirements of the federal Crop Insurance Regulation; that the premium rate methodologies used by the Corporation are actuarially sound and are sufficient to meet expected claim costs; and that the program meets the financial self-sustaining criteria defined by the federal government.

A full actuarial certification is completed every five years with any new programs or program changes being reviewed in the interim.

14. RELATED – PARTY TRANSACTIONS

The Corporation is related in terms of common ownership to all Province of Manitoba departments, agencies and Crown corporations. The Corporation enters into transactions with these entities in the normal course of business.

Interest earned on investments held by the Province of Manitoba amounted to $8.6 million (2004 - $9.9 million). Included in accounts receivable (Note 5) is $2.1 million (2004 - $3.1 million) of accrued interest related to investments held by the Province of Manitoba.

15. SUBSEQUENT EVENTS

In April 2005, the Corporation assumed responsibility for the administration of the Expanded Manitoba Soil Survey. The purpose of this program is to provide detailed soil surveys in selected rural municipalities to facilitate sustainable crop and livestock development within agro-Manitoba.

15. SUBSEQUENT EVENTS *(cont'd)*

On April 18, 2005, The Manitoba Agricultural Services Corporation Act (Bill 30) was tabled in the Manitoba Legislature. This legislation will create the Manitoba Agricultural Services Corporation (MASC) through the amalgamation of the Manitoba Crop Insurance Corporation (MCIC) and the Manitoba Agricultural Credit Corporation (MACC). The legislation was assented to on June 16, 2005 and will be proclaimed on September 1, 2005.

In April 2005, the Corporation assumed responsibility for the administration of the 2005 Farmland School Tax Rebate Program. The purpose of this program is to assist Manitoba farmland owners by providing a rebate equal to 50% of the school tax paid on their farmland in 2005.

16. COMPARATIVE FIGURES

Certain 2004 comparative figures in the financial statements have been reclassified to conform with the current year's presentation.

SCHEDULE 1

Schedule of Administrative Expenses

FOR THE YEAR ENDED MARCH 31, 2005

	2005	2004
Adjusters' wages, benefits and expenses	$ 4,359,785	$ 3,106,329
Advertising	120,584	152,179
Amortization expense	198,348	267,894
Appeal Tribunal	11,623	14,386
Audit fees and legal	171,726	169,850
Directors' remuneration and expenses	50,100	60,181
Furniture and equipment	23,850	35,043
Information technology	544,542	508,552
Office rental and utilities	632,802	612,106
Other administrative expenses	206,928	183,503
Other administrative recoveries	(137,538)	(217,296)
Postage	107,352	98,255
Printing, stationery and office supplies	145,827	155,113
Salaries and employee benefits	5,969,194	5,586,426
Telephone	125,945	122,149
Travel and automobile expenses	271,893	271,289
Total administrative expenses	$ 12,802,961	$ 11,125,959
Administrative expenses allocated to:		
Production Insurance Program	$ 11,217,287	$ 9,432,868
Hail Insurance Program	1,585,674	1,693,091
Total administrative expenses	$ 12,802,961	$ 11,125,959

Canada

Manitoba